MESSAGEPHONE, INC.

ORIGINAL
FILE

92-77

August 26, 1992

VIA FEDERAL EXPRESS

Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Ms. Searcy:

Enclosed for filing, please find an original and 10 copies of MessagePhone's Reply Comments in the Matter of Billed-Party Preference For "0+" InterLATA Calls. A copy for each Commissioner is included.

Please acknowledge receipt of this filing by date stamping the extra copy and returning it to MessagePhone in the self-addressed envelope provided.

Sincerely,

Douglas E. Neel

Douglas E. Neel
Vice President,
Regulatory Affairs

Enclosures

No. of Copies rec'd 0+8
List A B C D E

5910 N. Central Expwy., Suite 1575 – LB #64 / Dallas, TX 75206-1807 / (214) 987-8130 FAX (214) 987-8142

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	§	
	§	CC Docket No. 92-77
Billed-Party Preference	§	
for "0+" InterLATA Calls	§	

TO: The Commission

REPLY COMMENTS

MessagePhone, Inc.

By: Douglas E. Neel
Vice President, Regulatory Affairs
MessagePhone, Inc.
5910 N. Central Expressway
Suite 1575
Dallas, Texas 75206
(214)987-8130

Dated: August 27, 1992

TABLE OF CONTENTS

TABLE OF CONTENTS, continued

TABLE OF CONTENTS, continued

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	{	
	{	
Billed-Party Preference for 0+ InterLATA Calls	{	CC Docket No. 92-77
	{	
	{	

TO: The Commission

REPLY COMMENTS

Pursuant to Section 1.401 of the Commission's Rules, MessagePhone, Inc. ("MessagePhone"), hereby replies to comments filed in the above-captioned Federal Communications Commission ("Commission") Notice of Proposed Rulemaking ("NPRM").[1]

In the NPRM, the Commission tentatively approves implementation of interLATA Billed Party Preference ("BPP"). Under the Commission's proposal, interexchange calls would be routed to the operator service provider ("OSP") preselected by the party billed for the call instead of the OSP preselected by the owner of the premises where the telephone is located.

MessagePhone is a Texas-based research and development company. It has developed and patented numerous technologies, including caller-activated message delivery services ("MDS"). In addition, MessagePhone has developed and has patents granted and

---

[1] Billed Party Preference for 0+ InterLATA Calls, 7 FCC Rcd 3027 (1992). The date for filing reply comments in this proceeding was extended to August 27, 1992. Order (DA 92-1058, released July 31, 1992).

pending on technology that resides on the line-side of a central office ("CO") switch that offers many new services, including BPP. This technology currently is available in the market place and is being marketed, under a partial license granted by MessagePhone, to the Regional Bell Operating Companies ("RBOCs") by Unisys Corporation ("UNISYS") and other companies.

I. SUMMARY

The Commission must adopt BPP. MessagePhone's line-side technology is available to enable swift, cost-effective implementation of BPP for public pay telephones. This step immediately will provide BPP for 91% of all operator assisted traffic from public telephones.

Despite increased regulatory oversight, OSP rates continue to rise and consumers continue to be gouged. OSPs remain the leading subject of complaints to state regulatory agencies and the Commission. These continuing problems with OSPs compel Commission approval of BPP.

Currently, premises owners select the OSP for public telephones on their property. Often, the OSP is selected, not because it best meets the needs of consumers, but because it will pay the largest commissions to the premises owner. This systemic problem inhibits development of truly competitive equal access and should be remedied with adoption of BPP.

MessagePhone has developed a service architecture for pay

telephones that is capable of providing BPP routing. This architecture resides on the line-side of the CO switch. Implementation of this architecture could begin within the year and be completed before the end of calendar year 1993.

In formulating its proposed BPP policy, the Commission assumes that it must be implemented using the local exchange carrier's ("LEC") Operator Service Switch. Because Message-Phone's architecture resides on the line-side of the CO, it has numerous advantages over the solution requiring BPP implementation with the OSS:

1. Line-side BPP will cost less than OSS-based BPP.

2. Installation of line-side technology can begin within months of the Commission's decision to mandate BPP; OSS-based installation will take four to five years.

3. The line-side architecture is capable of being upgraded to offer at least twenty-two new services; the OSS-based technology only will offer one new service -- BPP.

4. Line-side technology will enable processing of commercial credit and debit cards for BPP at installation; the OSS-based technology will not be able to process commercial credit and debit cards for an additional three to four years after the initial installation.

5. The line-side architecture is an example of unbundled, decentralized technology and is less prone to failures that will damage other elements of the public switched network. OSS-based technology is a software upgrade to existing switches. Failures could harm operator systems and curtail operator services for an entire region.

6. The line-side architecture offers other regulatory benefits that are not available from the OSS. These services include sent-paid equal access, 10XXX fraud prevention, and dial-around per call accounting.

The majority of the arguments against BPP are based upon an incorrect assumption. Most of these parties assume that

execution of the functions necessary to offer BPP routing MUST BE FROM THE OSS. MessagePhone's line side architecture demonstrates that this assumption simply is not true. In addition, MessagePhone's line-side technology can migrate from the CO to customer premises equipment ("CPE"), including "smart" pay telephones. Providers of pay telephones and other CPE that offer automated operator services thus will have the choice of allowing the LEC to process calls or processing BPP calls with their own equipment.

With this choice, the OSP's cry that the "sky is falling," because BPP would erode their revenue base, is unjustified. To the contrary, availability of MessagePhone's line-side technology will provide OSPs the fair opportunity to maintain a profitable, competitive business.

Implementation of BPP is cost effective. The LEC can generate new revenues by performing BPP functions. LECs also will recapture lost revenues when customers no longer dial access codes to avoid unknown OSPs and inadvertently bypass the LEC on intraLATA toll calls. In addition, LECs that install the line-side architecture will be able to offer a host of new revenue producing services.

Finally, many parties raise questions concerning the quality of service offered with BPP. Implementation of the line-side architecture will decrease processing time and, because call information can be forwarded to the OSP, will avoid redundant performance of operator functions.

II. MESSAGEPHONE'S LINE-SIDE TECHNOLOGY GUARANTEES RAPID, EFFECTIVE, AND COMPETITIVE BPP

A. Line-Side Technology

To implement BPP, two fundamentally different alternatives are available:

OSS -- One option is to modify the LEC's OSS. Such modification would necessitate a substantial amount of time and money to complete. The process requires an expensive software upgrade on existing switches and will take 4-5 years in development, testing, and installation.[2] The end result of this process is that only one new service is created -- BPP.

Alteration of the OSS will cost more than installation of the line-side architecture. Because of limited capability, the expense used on the OSS will generate only a fraction of the new revenues capable with the line-side architecture. Also, because of the additional operator services traffic, new OSSs will have to be installed and the LECs will have to "re-trunk" many existing routes to and from existing operator centers.

Line-Side -- The other option for BPP is MessagePhone's line-side technology. This technology can be implemented immediately, would cost less that the OSS-based technology, would permit provision of over twenty-two (22) new services in addition to BPP, and would permit OSPs and pay telephone providers to

[2] MessagePhone at 16-17. Alteration of switch software for the creation of new services is a lengthy, expensive process.

offer competitive and enhanced telephone services.

MessagePhone's line-side architecture consists of three components -- an in-line intelligent platform (or payphone gateway platform ("PGP")), a remote management system ("RMS"), and an enhanced services computer platform.[3] Of the three components, only the PGP and the RMS are utilized for BPP. Installation of these components can begin almost immediately after the Commission mandates BPP.

Because the PGP resides on the line-side of the end office switch, the line-side architecture is very efficient and flexible.[4] New services can be created, tested, and implemented in a fraction of the time needed for a switch upgrade. For example, MessagePhone's line-side architecture currently is capable of performing twenty-two (22) additional services, most of which are not offered by LECs.

B. Line-Side Technology Dispels Misconceptions About Merits Of BPP

Most criticisms of BPP are predicated on the belief that it must be offered from the LEC's OSS. Many parties are concerned that required provision of BPP could allow the LECs to regain control of each and every telephone call. In essence, these parties fear that BPP would create a new LEC bottleneck.

[3] See Exhibit A attached hereto.

[4] Because the PGP works independently of the CO switch, it is compatible with any CO, including a non-equal access CO.

MessagePhone's line-side technology is capable of migrating into CPE software, including pay telephones, and into competitive access provider ("CAP") networks. With installation of line-side architecture, service providers can choose to provide BPP routing using their own equipment and networks or to provide BPP using the LEC's network. Thus, instead of creating a bottleneck, line-side BPP could promote competition and further new product innovation.

III. IMPLEMENTATION OF BPP IS IN THE PUBLIC INTEREST

A. TOCSIA And The Commission's Rules Are An Inadequate Alternative To Equal Access Provided By BPP

In an attempt to minimize consumer problems with OSP service, in 1990, Congress adopted the Telephone Operator Consumer Service Protection Act ("TOCSIA") and the Commission promulgated rules designed to protect consumers from anti-competitive practices.[5] Many parties naively claim that these actions by Congress and the Commission have solved all problems associated with operator services from public telephones.[6] In addition, some of these parties believe that equal access from

[5] The Telephone Operator Consumer Services Improvement Act, codified as 47 U.S.C. Section 226; Policies and Rules Concerning Operator Services Access and Pay Telephone Compensation, 6 FCC Rcd 4736 (1991).

[6] Intellicall, Inc. ("Intellicall") at 3-6; Competitive Telephone Association ("CompTel") at 3-5; American Public Communications Council ("APCC") at 13-15; International Telecharge, Inc. ("ITI") at 13-14; Capital Systems Network, Inc. ("CSNI") at 5-6.

public pay telephones is an insignificant problem:

> [t]he sole benefit of a BPP system over presubscription is to enable an end user to access his designated OSP without having to dial any type of access code (i.e., equal access)....the BPP proposal addresses a minor problem.[7]

These parties are wrong. With their heads firmly buried in the sand, opponents of BPP refuse to recognize or acknowledge that enormous numbers of consumers continue to be abused by the current system of premises owner presubscription. Apparently, they have turned a "deaf ear" to the needs and concerns of American consumers.

B. There Is Continued Consumer Dissatisfaction With Operator Services

Consumers continue to be dissatisfied with the current state of operator services from public telephones.[8] Despite increased regulatory oversight with the enactment of TOCSIA and adoption of the Commission's rules, operator service prices continue to rise and consumers continue to be gouged. OSP rates have risen dramatically since adoption of TOCSIA and the Commission's safeguards.[9]

As recently as July 1992, the Commission issued a report identifying that operator services still are the leading cause of

---

[7] U.S. Long Distance, Inc. ("USLD") at 18 (parentheses added).

[8] The term "public telephones" includes both pay telephones and "hospitality" (i.e., hotel, institutional, etc.) telephones.

[9] MessagePhone at 10-12, Exhibit A.

consumer complaints:

> Operator services were the leading subject of complaints [according to an "unofficial list" compiled by the Common Carrier Bureau's Enforcement Division].... The number of operator services-related complaints, which accounted for 25.8% of all complaints during the first six months of 1992, was 1345.[10]

Such ongoing problems should come as no surprise. The current system governing provision of and billing for OSP services -- presubscription by the telephone premises owner -- was approved by Judge Greene only as an interim solution until BPP technology became available.[11] Judge Greene ordered that, when the choice of the IXC "could lie, and appropriately so, with the one who paid for the call," then "every threat of discrimination" by the RBOCs would be eliminated and true equal access and competitive pricing could emerge.[12]

These concerns are echoed by numerous parties to this proceeding. Indeed, it is noteworthy that the parties to this proceeding most representative of and sensitive to the needs and concerns of consumers -- the state regulatory commissions -- unanimously condemn the current method of premises owner presubscription as inadequate and recommend that it be replaced with BPP:

> We note that there continues to be an unacceptably high level of confusion among consumers concerning the

---

[10] "FCC Complaints About Pay-Per-Call Services Decline; Operator Services are Top Concern," Telecommunications Reports, July 27, 1992 at 12 (emphasis added).

[11] U.S. v. Western Elec. Co., Inc., 698 F. Supp 348, 361 (D.D.C. 1988)("Western Elec.").

[12] Western Elec., 698 F.Supp at 361.

> placement, billing, and carriage of operator-assisted interLATA calls....Moreover, there continues to be confusion, even among those consumers with dialing sophistication, about which carrier actually handles the call ... [O]nly in a system such as billed party preference, in which the chosen carrier handles the call virtually automatically, will those problems be reduced to an acceptable level.[13]

Consumer behavior is further evidence of dissatisfaction with OSP services and rates. This dissatisfaction is demonstrated by the ever increasing number of consumers who choose to dial-around[14] the presubscribed IXC/OSP:

> A number of [California Payphone Association's] members report that approximately 25% of coinless calls placed at their pay stations are 10XXX access code calls.[15]

This level of consumer dial-around also is being experienced by pay telephone providers in other regions of the United States. For example, an analysis of Peoples Telephone Company's annual and quarterly reports[16] demonstrates the following percentages of

---

[13] Missouri Public Service Commission ("MoPSC") at 1-2. See also Florida Public Service Commission ("FlPSC") at 2-4, 7; Michigan Public Service Commission ("MPSC") at 2; Illinois, Indiana, Ohio and Wisconsin Public Utility Commissions ("Ameritech PUCs") at 3, 7; Texas PUC at 2-4; Pennsylvania Public Utilities Commission ("PaPUC") at 2-4. At least one of the state regulatory agencies, while supporting BPP, was concerned that the service be economically viable. PaPUC at 1, 3. As demonstrated herein, this concern is unjustified because, with MessagePhone's line-side technology, BPP will produce significant return on investment.

[14] The term "dial-around" is defined as the use, by dialing, of an access code (a 1-800 number or 10XXX+0), by a consumer, in order to bypass the premises owner-presubscribed IXC/OSP and reach the IXC/OPS identified with the access code. Dial-around is an inconvenience because it requires consumers to remember the access code and then take the time to dial the extra numbers.

[15] California Payphone Association ("CPA") at 6.

[16] Peoples Telephone Company is a pay telephone provider with 26,000 telephones primarily located in California and in the Southeast.

dial-around:

Quarter ending	% dial-around
3/31/91	1
6/30/91	5
9/30/91	10
12/31/91	17
3/31/92	26

This growing use of dial-around by frustrated consumers does not justify continued use of an inadequate regulatory policy or demonstrate that TOCSIA is working. Increased reliance upon dial-around merely masks the problems created by the interim solution of presubscription by the telephone premises owner, approved reluctantly by Judge Greene five years ago. Absent implementation of BPP, true equal access would not be attained and OSPs' artificially high costs and unacceptable service would continue to bedevil consumers and regulators.

Consumers simply are deciding the inconvenience of dial-around is a "lesser evil" than risking the inconvenience of paying artificially high OSPs rates. This "Hobson's Choice" would no longer be necessary if BPP is adopted using MessagePhone's line-side technology.

These consumers nevertheless would prefer true equal access to their carrier of choice over the current system. Pacific Bell and Nevada Bell ("Pacific") note this preference:

> [C]onsumers dislike dialing access codes and/or 800 numbers to use their calling cards. Customers prefer the convenience of 0+ dialing. Research shows that 81% of card holders who need to dial access codes are interested in having 0+ access on their cards.

> Similarly, the Pacific Companies' focus group research has shown that dialing convenience is a most important card attribute for a majority of card holders.[17]

Similarly, Sprint Corporation ("Sprint") identifies strong consumer preference for BPP:

> Consumer preference for simple means of access is corroborated by a survey conducted for BellSouth in Florida. This survey dealt with direct-dial intraLATA toll calling, rather than 0+ calling, and showed that roughly 70 percent of consumers would refuse to use a 5-digit access code.[18]

If consumers knew that the technology now exists to provide BPP, their frustration would be exacerbated. It would be unfortunate if pay telephone consumers discover that they still must dial extra numbers to reach their presubscribed carrier or risk paying large surcharges, despite the current availability of technology that will implement BPP.

Yet, there is no need for continued consumer dissatisfaction. The Commission's tentative conclusion that BPP routing would solve the problems of the OSP industry is correct.[19] The Commission must continue to pursue its policy of equal access by mandating immediate implementation of BPP from all pay telephones. With the availability of MessagePhone's line-side technology, the only obstacles to implementing BPP are the unsupportable and self-serving objections by AT&T and OSPs and the wait for regulatory approval by the Commission.

---

[17] Pacific at 8 (emphasis added).

[18] Sprint at note 10.

[19] NPRM at para. 1.

Requiring BPP would satisfy Judge Greene's mandate because it would result in nothing less than the culmination of full equal access implementation. With the availability of MessagePhone's line-side technology, it is imperative that BPP be adopted. To do otherwise would perpetuate an anachronistic system that ignores consumer needs.

IV. IMMEDIATE IMPLEMENTATION OF BPP FOR PAY TELEPHONES SHOULD BE MANDATED

A cross section of parties supporting the implementation of BPP agree that it should be simultaneously installed for all call types on all telephones.[20] It should be installed for all call types. However, the belief that BPP should be installed simultaneously on all telephones is based upon the incorrect presumption that BPP routing must be performed from the OSS and that the technology will take four to five years to install.

MessagePhone's line-side technology makes BPP available now for pay telephones. The presence of line-side technology, that can perform BPP routing for pay telephones, compels the Commission to adopt a "two stage" BPP implementation -- pay telephones now and all other telephones in the future.

---

[20] For example, see Ameritech at 2; FlPSC at 5; Sprint at 29-30; Ameritech Commissions at 11; GTE at 11.

A. Operator Services Traffic From Public Telephones.

Currently, on residential and business lines, consumers have equal access to their pre-selected service provider. Consequently, there is little need to complain to the various responsible federal and state regulatory agencies concerning operator services from the users of business and residential telephones. Such true equal access, created by placing the choice of OSP with the consumer, moots the need to impose BPP routing on business and residential lines. Indeed, it is questionable whether imposing BPP on business or residential lines will be necessary in the future.[21]

However, as evidenced by the success of equal access for business and residential users, it is essential that BPP routing promptly be implemented on public telephone lines. Most, if not all, consumer complaints originate from pay and public telephone operator service. Currently consumers of these services must use an OSP chosen by the premises owner (usually because of the amount of the commission payments rather than the quality and cost of the service) or must recall and dial an access code ("dial-around") to reach the carrier of choice.

---

[21] See Texas PUC at 8-9. MessagePhone believes that the goal of universal equal access to an OSP of choice is a worthwhile goal. However, almost 100% of the problems associated with the Operator Services industry can be resolved with equal access on public telephone lines.

Approximately 91% of the 0+ operator services call traffic from public telephones originates from pay telephones.[22] Thus, equal access can be initiated on 91% of operator calls from public pay telephones simply by installing line-side BPP on pay telephones.

Furthermore, NYNEX demonstrates that 0+ calls from pay telephones make up over 73% of the 0+ calls from all telephones, including business and residential telephones.[23] Given the significant percentage of 0+ calls made from pay telephones, the vast majority of operator services traffic can be converted to BPP equal access with the immediate installation of MessagePhone's line-side technology.

B. Investment In Line-Side Technology For BPP Will Not Be Stranded

The line-side technology for pay telephones is the final technical solution for pay telephones. This technology offers LECs a solution to provide additional services and functionality for the next fifteen years, or until the present base of pay telephones is completely replaced by mobile personal communications.

As MessagePhone demonstrates in its comments, this line-side

---

[22] See NYNEX at note 31. In its comments, NYNEX demonstrates that, out of a universe of 207,020,692 0+ calls from all public telephones, 189,276,061 of these calls originate from pay telephones. It is MessagePhone's experience that these traffic percentages are representative of other LECs.

[23] Id.

technology does not have the cost or maintenance problems of OSS-based technology and offers a flexible, intelligent platform from which many new maintenance and enhanced services, in addition to BPP, can be offered. MessagePhone's technology is flexible enough to adapt to a changing regulatory environment. With this added flexibility and intelligence, the line-side technology will continue to offer services and generate significant revenues.

Even if a LEC decides, in four or five years, to discontinue utilizing the line-side technology for BPP by implementing universal BPP from the OSS, the line-side technology still will not be stranded and will have achieved a noteworthy purpose. The technology will continue to generate significant revenues and cost savings through the provision of other services.[24] This technology will pay for itself four or five times before BPP could be initially installed in the OSS.

MessagePhone believes that LECs will not choose to replace the line-side technology with OSS-based BPP routing. Because over 70% of all operator traffic would be handled by the line-side technology, LECs would not have to install additional OSSs or add additional trunks. Thus, BPP implementation in the OSS for the remaining traffic would cost significantly less.

Equally important, immediate installation of BPP will stem the tide of consumers inadvertently bypassing the LEC by dialing 10XXX. As shown herein, this service will enable the LECs to

---

[24] See Section V.C,D, infra, and Exhibit B attached hereto for a list of such services, features, and the adjoining revenues and cost savings.

recapture as much as $2.4 billion in revenue over a four year period of time.

Because of the flexibility and revenue-producing capability of the line-side architecture, there will be no rational reason for the LECs to strand this investment.

C. Implementation Of Line-Side Technology For Pay Telephones Should Begin Immediately

Parties in favor of and opposed to BPP admit that the current system of premises owner presubscription continues to cause chaos.[25] With BPP, consumers would no longer be subjected to increased costs and dialing inconveniences.

In addition, MessagePhone will demonstrate, infra, that already there are large numbers of consumers inadvertently dialing-around the LEC on intraLATA toll calls. Several state regulatory commissions recognize that this trend. Realizing how difficult it is to break established habits, these state regulators fear that BPP will never get off the ground unless it is not implemented soon:

> [t]he economic viability of BPP is tied directly to its proposed implementation schedule. Any extensive delay to implement the system would cause its demise. By the best estimates, the BPP routing system would take at least a few years to develop and implement....[D]uring this time, the benefits of BPP for end-users to easily access an OSP of choice would be obviated. Extensive delay could also strand system costs ... and increase

---

[25] E.g., ITI at 13; APCC at 18; Ameritech PUCs at 7; FlPSC at 5; Sprint at 1-5.

the incentive of IXCs to have their customers dial around LEC networks by using access codes.[26]

The state regulators are correct. This trend, where consumers dial-around intraLATA calls, likely will increase during the time it takes to develop and install OSS technology for BPP. Consumers will continue to search for alternatives to exorbitant OSP rates. Increasing numbers of these customers inadvertently will dial-around the LEC on intraLATA toll calls. Inertia will set in and the habits formed by consumers during the five years needed to implement OSS-based BPP will be reinforced by the marketing efforts of AT&T and others. Training the vast majority of consumers to dial-around could be so effective that consumers fail to use BPP. Under these circumstances, in order to avoid losing the benefits of BPP, its installation must be mandated to begin as soon as possible.

V. IMPLEMENTATION OF BPP IS COST-EFFECTIVE

With BPP, there are three sources for LECs to recapture investment in BPP. First, the LECs should be compensated for performing BPP. Second, the LECs will recapture revenues lost because of inadvertent intraLATA dial-around. Third, LECs that perform BPP with line-side architecture will have access to numerous new revenue generating services.

---

[26] PaPUC at 10-11. See also Michigan PSC at 2; Ameritech Commissions at 6.

A. New Revenues Are Generated By The LECs For Routing BPP Calls

In its Comments, MessagePhone recommends that the LECs should be compensated for the operator service functions performed while routing the telephone to the consumer's preferred carrier. Since filing comments, MessagePhone has compiled additional detailed revenue and cost data. A detailed analysis for 0+ and collect calls (automated and live operator) is attached as Exhibit C.

Presently, IXCs charge a distance sensitive rate for transporting the call and a flat rate surcharge for the operator portion of the call. A 0+ calling card call will serve as an example. Assuming an IXC charges an $.88 surcharge for an automated 0+ call, the LEC providing BPP would divide the surcharge revenue between the IXC and itself as follows:

LEC:	
Play Bong Tone and Capture Billing information	$.20
Determine PIC and validate calling card Via LIDB Query	.18
Transport Call and Billing information to the IXC/OSP	.06
TOTAL	$.44
IXC	
Rate Call	$.03
Maintain rate table	.01
Record Call Duration	.02
Prepare Tape of CDRs	.02
Sort Tape of CDRs for billing	.02
Billing and Profit	.34
TOTAL	$.44

On an interstate call, the LEC would receive $.44 and the IXC/OSP would receive $.10 plus the additional profit of $.34 of the $.88 operator services surcharge. Note that both the LEC and the IXC/OSP receive adequate compensation WITHOUT RAISING THE $.88 FLAT SURCHARGE RATE FOR THE OPERATOR PORTION OF THE CALL.[27]

RBOCs each will process approximately 189 million 0+ interLATA calls annually.[28] Assuming they generate a minimum of $.44 per call, an average RBOC will generate approximately $83 million annually for BPP routing on 0+ calling card calls.[29] Assuming an initial investment of $100 million per RBOC, this

---

[27] See Sprint at 21-22. Under BPP, the IXC will continue to generate healthy profits. For example, revenue from an average eight (8) minute interexchange transaction, estimated at generating $2.88, is broken down as follows:

$.84 for processing
.96 for transport
1.08 profit

The LEC will receive $.44 of the processing revenues. Concomitantly, the IXC will reduce costs, because it no longer needs to perform certain processing functions, and keep its profits. With BPP, both the LEC and the IXC are able to generate new revenues and profits and the consumer receives better and more reliable service.

[28] NYNEX at note 31.

[29] Collect (which normally has a $1.88 surcharge) and other operator services calls are not included in this analysis. That is because verifiable call traffic statistics for those call types were not included in the NYNEX comments. BPP routing for those call types will allow the LECs to generate substantial additional annual revenue.